TO: HONORABLE CITY COUNCIL
ATTN: FINANCE COMMITTEE
FROM: CITY MANAGER DEPARTMENT: ADMINISTRATIVE SERVICES
DATE: MAY 18, 2004 CMR:273:04
SUBJECT: APPROVAL OF BUDGET AMENDMENT ORDINANCE TO ALIGN THE CAPITAL BUDGET WITH PROJECTED ANNUAL EXPENDITURES

RECOMMENDATION
Staff recommends that Council approve the attached Budget Amendment Ordinance (BAO) to amend the budget for fiscal year 2003-04 to return unspent Capital Improvement Program project balances totaling $4,321,436 consisting of $150,479 to the General Fund Budget Stabilization Reserve and $4,170,957 to the Infrastructure Reserve.

BACKGROUND
This year staff focused on reducing the Infrastructure Management Plan (IMP) project backlog while preserving City Council priorities and proposing some new funding for major City projects. This was done recognizing competing priorities for the staff of key City departments. The initial goal of the IMP was to spend $10 million per year on IMP projects. However, a significant project backlog has existed since the inception of the IMP program, because it took well over a year in some cases for the project staffing to be put in place.

DISCUSSION
Staff intends to work aggressively in 2004-05 to reduce the project budget backlog while being realistic about what can reasonably be accomplished in new projects in 2004-05. Staff proposes to return to the Infrastructure Reserve (IR) approximately $4.2 million of appropriated but unspent dollars and delay about $2.0 million of proposed IR project funding one year. The resulting total of current project backlog plus proposed new project funding is still an ambitious $15.8 million, but staff believes that this work program can be accomplished.

Reduction of Unspent Project Budget
About $4.2 million of appropriated but unspent dollars are proposed to be returned to the IR (Attachment D). These funds include:
• Projects delayed until staff is available to complete them (e.g.; Lucie Stern and Cubberley Community Centers)
• Projects awaiting full funding (e.g.; San Antonio Road Median Improvements and the El Camino/Ventura Traffic Signal)
• El Camino Median Landscaping Project scope reduction due to “Trees for El Camino Group” raising less matching funding than anticipated
• PAUSD requesting a delay in the implementation of the Jordan Middle School site irrigation project
• Delay of the Mitchell Park Facilities Improvements to coordinate timing of construction with ongoing recreational uses

$4.0 million in IR funds will be carried forward in 2004-05 for the remaining ongoing IMP projects approved in prior years

“Just-in-Time” Budgeting

Staff also proposes to delay $2.0 million of construction funding for some projects initially scheduled for 2004-05 in the IMP until fiscal year 2005-06. If any of these projects are ready for construction earlier due to design work being completed ahead of schedule, staff will bring the project forward to the City Council for approval with a budget amendment ordinance (BAO) and accompanying staff report as a “just-in-time” budgeting exercise. Examples of projects that may be subject to “just-in-time” budgeting include:

• Cubberley Community Center mechanical and electrical upgrades
• Municipal Service Center renovations
• Mitchell Park Library and Community Center improvements
• PAUSD school site irrigation renovations
• Park trail improvements
• Open space parking improvements
• Traffic signal improvements at El Camino/Ventura Avenue and San Antonio Road @ Hwy 101

While this process may result in BAO requests coming before Council for review, it represents an effort to align the annual capital budget plan with projected expenditures for each year.

RESOURCE IMPACT

The return of unspent CIP project balances to their respective reserves will result in a $150,479 increase to the General Fund Budget Stabilization Reserve and a $4,170,957 increase to the Infrastructure Reserve.
POLICY IMPLICATIONS
Council approval of this BAO is consistent with existing City policies.

ENVIRONMENTAL REVIEW

This BAO is not a project as defined by the California Environmental Quality Act and is not subject to its requirements.

ATTACHMENTS
Attachment A: Budget Amendment Ordinance
Attachment B: Budget Amendment Ordinances Impacting the General Fund Budget Stabilization Reserve Approved-to-Date in 2003-04
Attachment C: Budget Amendment Ordinances Impacting the Infrastructure reserve Approved-to-Date in 2003-04
Attachment D: Schedule of CIP Project Balances to Return to their Respective Reserves

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